

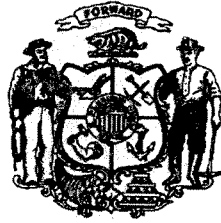
THE STATE OF WISCC

SEN BRIAN B BURKE, CO-CHAIR
JOINT COMMITTEE ON FINANCE
119 M LUTHER KING, JR BLVD
ROOM LL1

22a

SENATE CHAIR
BRIAN BURKE

Room 302H
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



JOHN GARD

315-N Capitol
P.O. Box 8952
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Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

Date: November 12, 1997

To: State Agency Heads

From: Senator Brian Burke, Co-Chair
Representative John Gard, Co-Chair
Joint Committee on Finance

Subject: December Meeting of the Joint Committee on Finance under s. 13.10

The next meeting of the Joint Committee on Finance under s. 13.10 has been scheduled for 10:00 a.m., Thursday, December 18, 1997, on the First Floor of 119 Martin Luther King, Jr. Blvd. This meeting constitutes the third and fourth regular quarterly meetings of 1997.

All agency requests and reports for consideration at the meeting should be addressed to the Joint Committee on Finance Co-Chairs. Send two copies of all requests and reports directly to the Joint Committee on Finance Co-Chairs, two copies of all requests and reports directly to the Legislative Fiscal Bureau, and the **original plus 40 copies** to the attention of Dan Caucutt, the committee's secretary for s. 13.10 actions, in the Division of Executive Budget and Finance, 10th Floor, Administration Building, 101 E. Wilson Street.

Agency requests must be received by 4:00 p.m., Thursday, November 20, 1997. Late requests will not be accepted.

Requests should indicate who will represent the agency at the meeting, and it is suggested that this general format be followed as requests are prepared:

Brief Summary of Request
Background of Request
How Request Meets Statutory Criteria [see s. 13.101(3) and (4)]

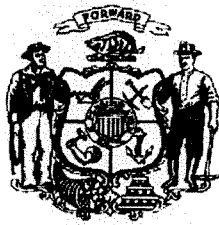
cc: Agency Budget Contacts
Bob Lang

THE STATE OF WISCC

SEN. BRIAN B. BURKE, CO-CHAIR
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ROOM LL1

SENATE CHAIR
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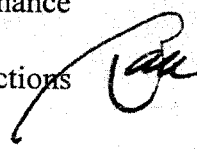
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ASSEMBLY CHAIR
JOHN GARD

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JOINT COMMITTEE ON FINANCE

Date: November 26, 1997
To: The Members, Joint Committee on Finance
From: Dan Caucutt, Secretary for s. 13.10 Actions 

The next regular meeting of the Joint Committee on Finance under s. 13.10 is scheduled for Thursday, December 18, 1997, at 10:00 a.m. on the First Floor of 119 Martin Luther King, Jr. Blvd.

The status of the committee's biennial GPR supplementation and loan appropriation [s. 20.865(4)(a)] is summarized on the attachment.

Eighteen items are currently scheduled for committee action. In addition, there will be one or more reports submitted.

The Governor's recommendations on the requests and State Budget Office analyses of them will be distributed to the members on December 11, 1997, along with the formal agenda. The Fiscal Bureau will distribute its own analyses of the requests. Materials in the December 11 distribution will be organized by tabbed section dividers marked with the Roman numerals in the upper-right corner of the attached requests.

The following is a summary of the items in the order that they will be heard on December 18, 1997.

I. Department of Revenue – Cate Zeuske, Secretary

Annually, the department is required to establish temporary recycling surcharge rates under s. 77.945 Wis. Stats. The department is required to submit these rates to the Joint Committee on Finance for consideration at its December meeting under s. 13.10. The department recommends that the current recycling surcharge rates remain in effect for tax year 1998.

II. Department of Revenue – Cate Zeuske, Secretary

The department submits to the Joint Committee on Finance a proposal for a tax amnesty program pursuant to section 9143(2mf) of 1997 Wisconsin Act 27.

III. Department of Revenue – Cate Zeuske, Secretary

The department requests a supplement of \$100,000 SEG from the Committee's appropriation under s. 20.865(4)(u) to the department's appropriation under s. 20.566(1)(qm) in 1997-98 for start-up costs for the administration of the rental vehicle fee.

IV. Department of Health and Family Services – Joe Leean, Secretary

The department requests the release of \$2,200,000 GPR in 1997-98 and \$1,300,000 GPR in 1998-99 from s. 20.865(4)(a), the Joint Committee on Finance's supplemental appropriation, to implement the women's health initiative which was approved in 1997 Wisconsin Act 27, the Biennial Budget Bill. Of that funding, \$1,700,000 in 1997-98 and \$1,200,000 in 1998-99 would be transferred to s. 20.435(5)(cb), the women's health services appropriation, and \$500,000 in 1997-98 and \$100,000 in 1998-99 would be transferred to s. 20.435(5)(cc), the cancer control appropriation. The Committee required the Department of Health and Family Services to submit a plan specifying the criteria under which grants would be awarded prior to releasing the grant funds from the Committee's appropriation.

V. Department of Health and Family Services – Joe Leean, Secretary

The department requests a transfer of \$1,107,000 GPR in 1997-98 from s. 20.435(5)(b), Medical Assistance program benefits, to s. 20.435(3)(cx), Milwaukee child welfare services aids, to provide services to parents of children in out of home care who have become ineligible for Medical Assistance.

VI. Department of Health and Family Services – Joe Leean, Secretary

The department requests that the Committee supplement the department's appropriation under s. 20.435(7)(ky) with \$4,196,600 FED in 1997-98 and \$9,428,800 FED in 1998-99 of federal Temporary Assistance to Needy Families funds from the Committee's appropriation under s. 20.865(4)(m). The funds are to be used for payments under s. 49.775 to Supplemental Security Income recipients who are custodial parents for the support of their children.

VII. Department of Workforce Development -- June Suhling, Division Administrator, Division of Workforce Excellence.

The department requests the transfer of \$1,000,000 of federal Temporary Assistance for Needy Families (TANF) funds in 1997-98 and \$2,000,000 TANF in 1998-99 from the Committee's appropriation under s. 20.865(4)(m) to the Department of Workforce Development's appropriation under s. 20.445(3)(md) for transportation support services.

VIII. Department of Workforce Development -- Jean Rogers, Division Administrator, Division of Economic Support

The department requests the transfer of \$5,231,800 GPR in 1997-98 from the Committee's appropriation under s. 20.865(4)(a) to the department's s. 20.445(3)(a) appropriation for the operation of the Kids Information Data System (KIDS).

IX. State Elections Board -- Kevin J. Kennedy, Executive Director

The board requests a supplement of \$138,200 GPR in 1997-98 from the Committee's appropriation under s. 20.865 (4)(a) to the department's general program operations appropriation under s. 20.510 (1)(a) to develop software for campaign finance report electronic filing enhancements.

X. Wisconsin Sesquicentennial Commission -- Dean Amhaus, Executive Director

The commission requests a supplement of \$34,270 GPR in 1997-98 from the Committee's appropriation under s. 20.865(4)(c), Wisconsin sesquicentennial commission appropriation supplement, to the appropriation under s. 20.525(1)(k), Wisconsin sesquicentennial commission, supplemental gifts and grants, to provide grants to commemorate the 150th anniversary of Wisconsin statehood. The commission also requests that it be allowed to provide a revised request for supplement on December 18, 1997 at the Committee's scheduled 13.10 meeting.

XI. Department of Commerce -- William McCoshen, Secretary

The department requests a supplement of \$100,100 SEG in 1997-98 and \$212,100 SEG in 1998-99 from the Committee's appropriation under s. 20.865(4)(u) to the department's appropriation under s. 20.143(3)(w) Petroleum Storage --Environmental Remedial Actions; Administration, to fund 1.0 FTE SEG attorney project position and contract with the Department of Workforce Development for legal services.

XII. Department of Natural Resources -- George Meyer, Secretary

The department requests that the Committee take action under s. 350.12(4)(br) to increase the 1997-98 expenditure amount for supplemental trail aids within the snowmobile trail recreation aids appropriation under s. 20.370(5)(cs) by an additional \$680,000 SEG.

XIII. Department of Agriculture, Trade and Consumer Protection -- Ben Brancel, Secretary

The department requests a supplement of \$50,000 GPR annually from the Committee's appropriation under s. 20.865(4)(a) to the food safety general operations appropriation under s. 20.115(1)(a) upon approval of the food inspection program efficiency study in accordance with Section 9104(1) of 1997 Wisconsin Act 27.

XIV. Department of Corrections--Michael J. Sullivan, Secretary

The department requests supplements from the Committee's unreserved appropriation balance under s. 20.865(4)(a) to the following appropriations to provide for a special probation and parole absconder unit in southeastern Wisconsin:

- 1) \$668,700 GPR and 26.0 FTE GPR positions in 1997-98 and \$1,015,300 GPR and 26.0 FTE GPR positions in 1998-99 in the services for community corrections appropriation under s. 20.410(1)(b), and;
- 2) \$34,000 GPR in 1997-98 and \$10,300 GPR in 1998-99 in the general program operations appropriation under s. 20.410(1)(a).

XV. Department of Public Instruction -- Alan Beeler, State Schools Director

The department requests the release of \$91,200 GPR from the Committee's appropriation under s. 20.865(4)(a) to the state residential schools appropriation under s. 20.255(1)(b) upon approval of a plan for maintenance projects in accordance with Section 9140(1) of 1997 Wisconsin Act 27.

XVI. University of Wisconsin System -- David J. Ward, Senior Vice President for Academic Affairs

Department of Administration -- Barry Larson, Deputy Administrator, Division of Technology Management

The University of Wisconsin (UW) System and the Department of Administration (DOA) request the following actions for implementation of the BadgerNet project and technology infrastructure improvements throughout the UW System:

- The transfer of \$2,094,000 GPR in 1997-98 and \$3,342,000 GPR in 1998-99 from the Committee's appropriation under s. 20.865(4)(a) to the UW System appropriation under s. 20.285(1)(cm); and
- The transfer of \$1,008,000 SEG in 1997-98 and \$864,000 SEG in 1998-99 from the Committee's appropriation under s. 20.865(4)(u), to the UW System appropriation under s. 20.285(1)(q).

The UW System has included with this request an inventory of IT infrastructure at UW System institutions and other information as requested by the Committee during 1997-99 biennial budget deliberations.

XVII. University of Wisconsin System – Ed Meachen, Interim Associate Vice President for Learning and Information Technology

The University of Wisconsin (UW) System requests the transfer of \$436,800 GPR in 1997-98 and \$1,435,200 GPR in 1998-99 from the Committee's appropriation under s. 20.865(4)(a) to the UW System appropriation under s. 20.285(1)(cm), and the release of \$263,200 PR in 1997-98 and \$864,800 PR in 1998-99 from unallotted reserve in the appropriation under s. 20.285(1)(im) for faculty technology initiatives throughout the UW System.

XVIII. Higher Educational Aids Board – Valorie T. Olson, Executive Secretary

The board requests creating 2.0 GPR FTE permanent positions to administer expanded board responsibilities approved in 1995 Wisconsin Act 27 and 1997 Wisconsin Act 27. The board also requests a supplement of \$33,600 GPR in 1997-98 and \$59,400 in 1998-99 from the Committee's appropriation under s. 20.865(4)(a) to the Higher Educational Aids Board appropriation under s. 20.235(2)(aa) to pay for the new positions.

Reports

- R-1 Department of Administration Position Reports Required Under s. 16.50.
R-2 FY98 Authorization of Budgets for Governor's Non-Statutory Committees

Attachment

SUMMARY

JOINT COMMITTEE ON FINANCE GPR APPROPRIATION

	1997-98	1998-99	1997-99 Biennium
Current Biennial Appropriation Amount [s. 20.865(4)(a)]	\$24,598,100	\$54,245,300	\$78,843,400
<u>Reserved For:</u>			
DOA -- Budget system redesign consultant's study	\$60,000	\$0	\$60,000
DOC -- Probation and parole absconder unit	702,700	1,025,600	1,728,300
DOC -- St. John's Correctional Center expansion	0	991,800	991,800
ETF -- SIPD supplemental annuity pymts	2,650,400	3,547,100	6,197,500
DOR -- Integrated computer system	1,257,100	203,500	1,460,600
DHFS -- Prevention grants	744,800	1,489,700	2,234,500
DHFS -- Adoption assistance	241,500	0	241,500
DHFS -- Medical assistance administration	468,300	0	468,300
DHFS -- Women's health initiative	2,200,000	1,300,000	3,500,000
DWD -- KIDS system	5,570,300	11,055,900	16,626,200
DWD -- Centralized receipt and disbursement for child support	0	117,100	117,100
DPI -- School for the Visually Handicapped maintenance funds	17,200	17,200	34,400
DPI -- School for the Deaf maintenance funds	74,000	74,000	148,000
ELECTIONS BD -- Electronic filing enhancement	102,800	0	102,800
DOA - Compensation reserves supplement	1,326,000	674,000	2,000,000
DOC -- Additional contract beds	4,900,000	10,100,000	15,000,000
DHFS -- Criminal background checks	0	1,500,000	1,500,000
DHFS -- Criminal background checks		420,000	420,000
DHFS -- BadgerCare	0	16,600,000	16,600,000
UW -- BadgerNet	1,470,000	1,470,000	2,940,000
UW -- Technology infrastructure and faculty technology	1,060,800	3,307,200	4,368,000
Public Land Sales Reserve (see attached summary sheet)	0	0	0
Sub-total Reserved Balance	\$22,845,900	\$53,893,100	\$76,739,000
<u>Releases from Reserved Balance</u>			
	\$0	\$0	\$0
Total Releases	\$0	\$0	\$0
Remaining Reserved Balance	\$22,845,900	\$53,893,100	\$76,739,000
Net Unreserved Balance Available	\$1,752,200	\$352,200	\$2,104,400
<u>Releases from Unreserved Balance</u>			
	\$0	\$0	\$0
Total Releases	\$0	\$0	\$0
Net Unreserved Balance Remaining	\$1,752,200	\$352,200	\$2,104,400
TOTAL AVAILABLE (Net Reserved & Unreserved Balance Remaining)	\$24,598,100	\$54,245,300	\$78,843,400

SUMMARY

JOINT COMMITTEE ON FINANCE PR APPROPRIATION

	1997-98	1998-99	1997-99 Biennium
Current Biennial Appropriation Amount [s. 20.865(4)(g)]	\$0	\$160,300	\$160,300
<u>Reserved For:</u>			
OCI -- Information technology imaging project	\$0	\$160,300	\$160,300
Sub-total Reserved Balance	\$0	\$160,300	\$160,300
<u>Releases from Reserved Balance</u>	\$0	\$0	\$0
Total Releases	\$0	\$0	\$0
Remaining Reserved Balance	\$0	\$160,300	\$160,300

SUMMARY

JOINT COMMITTEE ON FINANCE FED APPROPRIATION

	1997-98	1998-99	1997-99 Biennium
Current Biennial Appropriation Amount [s. 20.865(4)(m)]	\$15,000,000	\$2,000,000	\$17,000,000
<u>Reserved For:</u>			
DHFS/DWD -- Temporary aid to needy families	\$14,000,000	\$0	\$14,000,000
DWD -- W-2 transportation assistance	1,000,000	2,000,000	\$3,000,000
Sub-total Reserved Balance	\$15,000,000	\$2,000,000	\$17,000,000
 <u>Releases from Reserved Balance</u>			
	\$0	\$0	\$0
Total Releases	\$0	\$0	\$0
Remaining Reserved Balance	\$15,000,000	\$2,000,000	\$17,000,000

SUMMARY

JOINT COMMITTEE ON FINANCE SEG APPROPRIATION

	1997-98	1998-99	1997-99 Biennium
Current Biennial Appropriation Amount [s. 20.865(4)(u)]	\$1,208,000	\$1,384,400	\$2,592,400
<u>Reserved For:</u>			
ETF -- Retirement rollover project	\$0	\$180,000	\$180,000
ETF -- Health data appropriation	0	140,400	\$140,400
DVA -- Veterans assistance program	200,000	200,000	\$400,000
UW -- BadgerNet	1,008,000	864,000	\$1,872,000
Sub-total Reserved Balance	\$1,208,000	\$1,384,400	\$2,592,400
<u>Releases from Reserved Balance</u>			
	\$0	\$0	\$0
Total Releases	\$0	\$0	\$0
Remaining Reserved Balance	\$1,208,000	\$1,384,400	\$2,592,400

SUMMARY

Detail of Joint Finance Committee Appropriations Totals

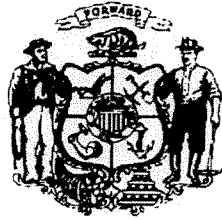
	1997-98	1998-99	1997-99 Biennium
865(4)(a) Appropriation Total Summary - GPR Act 27 (Biennial Budget)	\$24,598,100	\$54,245,300	\$78,843,400
865(4)(g) Appropriation Total Summary - PR Act 27 (Biennial Budget)	\$0	\$160,300	\$160,300
865(4)(m) Appropriation Total Summary - FED Act 27 (Biennial Budget)	\$15,000,000	\$2,000,000	\$17,000,000
865(4)(u) Appropriation Total Summary - SEG Act 27 (Biennial Budget)	\$1,208,000	\$1,384,400	\$2,592,400

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JOINT COMMITTEE ON FINANCE

AGENDA

10:00 a.m., Thursday, December 18, 1997
s. 13.10 Meeting
on the First Floor of 119 Martin Luther King, Jr. Blvd.

- I. Department of Revenue – Cate Zeuske, Secretary
- II. Department of Revenue – Cate Zeuske, Secretary
- IV. Department of Revenue – Cate Zeuske, Secretary
Department of Transportation – Charles Thompson, Secretary
- IV. Department of Health and Family Services – Joe Leean, Secretary
- V. Department of Health and Family Services – Joe Leean, Secretary
- VI. Department of Health and Family Services – Joe Leean, Secretary
- VII. Department of Workforce Development – June Suhling, Division Administrator, Division of Workforce Excellence.
- VIII. Department of Workforce Development -- Jean Rogers, Division Administrator, Division of Economic Support
- IX. State Elections Board – Kevin J. Kennedy, Executive Director
- X. Wisconsin Sesquicentennial Commission – Dean Amhaus, Executive Director
- XI. Department of Commerce -- William McCoshen, Secretary
- XII. Department of Natural Resources -- George Meyer, Secretary
- XIII. Department of Agriculture, Trade and Consumer Protection – Ben Brancel, Secretary

Joint Committee on Finance

September 19, 1996

Page 2

- XIV. Department of Corrections--Michael J. Sullivan, Secretary
- XV. Department of Public Instruction -- Alan Beeler, State Schools Director
- XVI. University of Wisconsin System -- Ed Meachen, Interim Associate Vice President for Learning and Information Technology
- XVII. University of Wisconsin System -- Ed Meachen, Interim Associate Vice President for Learning and Information Technology
- XVIII. Higher Educational Aids Board -- Valorie T. Olson, Executive Secretary

Reports

- R-1a Department of Administration Position Reports Required Under s. 16.50 (April 1-June 30, 1997).
- R-1b Department of Administration Position Reports Required Under s. 16.50 (July 1-September 30, 1997).
- R-2 FY98 Budget Authorization for Governor's Non-statutory Committees
- R-3 Sales of Public Lands at Mendota Mental Health Institute

SUMMARY

JOINT COMMITTEE ON FINANCE GPR APPROPRIATION

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SUMMARY

Detail of Joint Finance Committee Appropriations Totals

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865(4)(m) Appropriation Total Summary - FED Act 27 (Biennial Budget)	\$15,000,000	\$2,000,000	\$17,000,000
865(4)(u) Appropriation Total Summary - SEG Act 27 (Biennial Budget)	\$1,208,000	\$1,384,400	\$2,592,400

Joint Finance 13.10 Meeting
December 18, 1997

Agenda Item I: (Department of Revenue—Recycling Surcharge)

Alternative 1

Good motion to cut rate in half by Jan 15

Note: See highlighted paragraphs on pages 3 and 4. JFC has asked DOR to reduce the rate several times in the past and it never happens. Let's just ride the current rate out until 1999 and build up a little cushion.

Agenda Item II: (Department of Revenue—Tax Amnesty)

Alternative 2 (a), (b), (c), and (d)

Cowles motion ⇒ 1st 2 mil over 40 mil estimate, goes toward DOR fund for integrated tax system

Note: See highlighted paragraphs on pages 5, 6 and 7. Fiscal Bureau makes a good case for these minor revisions. However, approving 2(a) is not critical.

Agenda Item III: (Department of Revenue—Vehicle Rental Fee)

Alternative 1

Note: See highlighted paragraphs on page 2. DOT and DOR were directed in the budget to collect the fee beginning April 1, 1998. This request covers mostly the costs involved in administering the program, and it seems pretty reasonable.

Agenda Item IV: (DHFS—Women's Health Services Funding)

Alternatives 2(b) plus a Burke motion (see notes below)

Note: Most everyone agrees that the Department's plan as presented is problematic. Specifically, the mini grants and the mammography van are generating the most concern. Cindy went to a meeting with Reps. Gard, Ladwig and Wasserman, DHFS people, a governor's aide and FB staff on Wednesday to come up with the following bipartisan plan:

Alt. 2(b) will wipe out the mini grant program and direct that money to the Well Woman Health Screening program instead. Everyone agrees, this money will be better spent on screening services.

Your motion effectively kills the van program and forces DHFS to come up with a better plan to provide mammography and associated follow-up services in underserved areas. They must report back to JFC no later than Feb. 1, 1998 with their plan which will be considered under a 14-day passive review process. All parties involved agree the van was a bad idea from the beginning—the potential for major problems (i.e. lawsuits, inaccurate results, and no follow-up care) is too great. Upon JFC approval, the \$600,000 originally set aside for the van will be released to DHFS to implement the new plan.

Agenda Item V: (DHFS—Milwaukee Child Welfare)

Support the Conclusion

Agenda Item VI: (DHFS—SSI Caretaker Supplement Payments)

Alternative 3 *2*

Note: Defer this request until DHFS knows what the federal government is going to do about counting payments toward the maintenance of effort requirement. There is no need to give them the money now, as they can fully fund until June 1. So, why not just wait for a decision from SSA to see if the payments can be applied and go from there. See highlighted paragraphs and pages 3, 4 and 5.

Agenda Item VII: (DWD—Employment Transportation for W-2)

Alternative 2 *Launch motion*

Note: This seems to be the best option because it specifically directs \$100,000 annually to the Milwaukee PIC for the Jobs Ride Program. Also, this option ensures that any funding from the appropriation will be distributed to W-2 agencies based on need only. (DWD will be responsible for making this determination.) FB argues that because caseloads have dropped in many counties, many W-2 agencies will be able to absorb transportation costs within their existing budgets. You may want to encourage the Department to review the requests carefully to ensure that leftover money is being used before they make a request for a transportation grant. See paragraph 3 on page 5 for support.

Agenda Item VIII: (DWD—KIDS Computer System)

Alternative 2(a) and (b)

Note: This option essentially follows the Audit Bureau's recommendations which were released on Monday. DWD will be required to report back to the Audit Committee on a quarterly basis with information about how they are dealing with a number of systematic problems. The system has not improved child support collections at all, and the Committee should ensure that DWD is doing it right. DWD needs to be more responsive to counties concerns on needed modifications to the system. See highlighted paragraphs on pages 10 and 11 for support.

Agenda Item IX: (Elections Board—Electronic Filing Enhancements)

Alternative 3, but see notes below.

Note: See highlighted paragraph on page 6. Alternative 1 would also be fine, and Kevin Kennedy has expressed his preference for this option. He is concerned that the Board may come up slightly short if JFC goes with option 3, so instead of making them come back for a small amount, why not just fully fund now? It really is a matter of a few thousand dollars, so you can go either way.

Agenda Item X: (Sesquicentennial Commission—GPR Matching Funds)

Support Conclusion

Agenda Item XI: (Commerce—PECFA Attorney)

Part A: (PECFA Appeals Backlog) Alternative 2(c), 3(a)

Note: See pages 7 and 8 "Possible Reallocation of Funds" section for support.

Part B: (PECFA Awards) Alternative 1

Note: See page 8, paragraph 2 for support.

Agenda Item XII: (DNR—Snowmobile Trail Aids)

Alternative 1

Note: You should check to see what Sen. Decker wants, but Barry thinks it might be easier to go with Alt. 1. There seems to be no reason to mess around with this too much.

Agenda Item XII: (DATCP—Food Safety Study Report)

A/ Part A: (Food Study and Report) Take no action. (See notes below.)

Note: LFB does not offer this as an alternative, but it seems the best thing to do here is to take no action. You could require DATCP to keep working on the report to identify program revenue cost reductions etc. (See the last paragraph on page 9.) They could always come back to JFC at a later date to ask for approval.

Part B: (Program Funding) Alternative 3

62 Note: See paragraphs 1 and 2 on page 8. JFC should approve more money for food inspection. Funding levels have been stagnant since 1991.

Agenda Item XIV: (Corrections—Absconder Unit)

Alternatives 2 (a), (b), (c), (d), and (e)

Note: See highlights on page 4. LFB makes a case for delayed funding (a), and it seems like it would take Corrections at least 3 months to get this up and running. But, it's not probably not a big deal either way. FYI: Barb from Sen. Decker's office thinks you should give them all the money now, i.e. don't go with Alt. 2(a).

Agenda Item XV: (DPI—Maintenance Projects at State Residential Schools)

Support Conclusion

Agenda Item XVI and XVII: (UWS—Technology and BadgerNet Projects)

Part 1 (Release of UW Tech Funding) Alternative (a)

Part 2 (UW Data Collection and Report) Alternative (a)

Note: The money was already appropriated for these projects. UW was rather vague in their request but has subsequently provided additional information. You could ask UW about their distribution plan. See pages 4 and 5 for FB's concerns here. Part 2 at the very least makes UW come back to JFC to report on how the project has been progressing.

Agenda Item XVIII: (HEAB—Supplemental Funds and Position Authority)

Alternative 3

Note: HEAB originally asked for these positions as part of their budget request, but the governor did not include them in his budget proposal. One would have to question why the Administration didn't fight for this agency from the beginning. Furthermore, the Executive Director of HEAB did not mention the need for these positions in her budget testimony to JFC. However, she says now that provisions included in the budget make the positions essential to the agency. If you wanted to give them something, Alt. 2 gives them about ½ of what they want. Probably not something you need to go to the wall for, but why give them something that the Administration didn't initially support at all?



Legislative Fiscal Bureau

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December 18, 1997

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Revenue--Approval of Temporary Recycling Surcharge Rate Under Section 77.945
of the Statutes--Agenda Item I

The Secretary of the Department of Revenue has submitted a letter to the Committee with the Department's recommendation that the current temporary recycling surcharge rate remain unchanged in tax year 1998.

BACKGROUND

The recycling surcharge is designed to apply to most businesses to generate revenues that are sufficient to fund appropriations from the state recycling fund. Under current law, a temporary surcharge of 5.5% of gross tax liability is imposed on corporations. There is a minimum payment of \$25 and a maximum payment of \$9,800. Corporations (including S corporations) and taxable insurance companies with less than \$4,000 in total receipts are excluded from the recycling surcharge.

Nonfarm sole proprietorships, partnerships, limited liability companies (LLCs) taxable as partnerships and S corporations are subject to a temporary recycling surcharge of 0.4345% of net business income, again with a \$25 minimum payment and a \$9,800 maximum payment. Sole proprietorships and partnerships with less than \$4,000 of gross receipts from nonfarm trade or business activities are exempt from the surcharge. Members of the clergy and noncorporate farms with less than \$1,000 of net farm profits are also exempt from the surcharge. Noncorporate farms that are subject to the surcharge pay a flat amount of \$25.

The rate of 0.4345% applied to the net business income of sole proprietorships and S corporations is equivalent to the 5.5% rate applied to the gross tax liability of corporations.

For corporations, gross tax liability is determined by applying the corporate tax rate of 7.9%, which equals a tax rate of 0.4345% when multiplied by the surcharge rate of 5.5%.

Each year the Department of Revenue, with the Joint Committee on Finance, is required to estimate the amount of revenue necessary to fund all appropriations from the state recycling fund in the following year and to adjust the recycling surcharge rate accordingly. The current 5.5% surcharge rate (0.4345% for sole proprietorships, partnerships and S corporations) applies to tax years beginning on or after January 1, 1997. For tax years ending after April 1, 1999, the temporary recycling surcharge is eliminated.

Under current law, the Department of Revenue is required to submit the proposed temporary recycling surcharge rate to the Joint Committee on Finance for the quarterly s. 13.10 meeting in December. If the Committee approves the rate, it first applies to tax years beginning on or after the January 1 after the Department notifies the Committee; if the Committee disapproves of the proposed rate, the current rate remains in effect. As a result, since the Department has recommended that the current rate remain unchanged, the current rate will continue whether the Committee approves or disapproves the Department's recommendation. However, in past years the Committee has disapproved a recommendation by DOR to retain the surcharge rate and requested the Department to develop a proposal to reduce the rate.

Total recycling surcharge collections were \$41.6 million in 1995-96 and \$51.5 million in 1996-97. The current recycling surcharge rate will generate an estimated \$51.6 million in 1997-98 and \$42.8 million in 1998-99.

Expenditures from the recycling fund totalled \$65.8 million in 1995-96 (including a transfer of \$21.1 million to the general fund) and \$43.2 million in 1996-97. The 1997-98 beginning cash balance in the recycling fund was approximately \$44.6 million. Under current law, expenditures are estimated to be \$61.5 million in 1997-98 (including net appropriations of \$36.3 million, expenditure of \$21.3 million in carry-in encumbrances and a transfer of \$3.9 million to the general fund) and \$32.3 million in 1998-99.

ANALYSIS

The following table shows the estimated recycling fund condition statement for fiscal years 1996-97 through 1998-99. As the table indicates, under the Department's recommendation that the current surcharge rate remain unchanged for tax year 1998, there should be sufficient revenues to support 1997-98 and 1998-99 fund appropriation amounts. The 1998-99 year-end balance in the fund is projected to be \$50.3 million. This estimate is \$25.1 million greater than estimated during 1997-99 budget deliberations, primarily due to an increase in actual and estimated revenues of \$21.6 million (actual 1996-97 recycling surcharge collections were \$9.0 million greater than estimates). Further, expenditures are \$3.5 million less than previously estimated.

Recycling Fund Condition Statement
(\$ in Millions)

	1996-97 <u>Actual</u>	1997-98 Estimated <u>Act 27</u>	1998-99 Estimated <u>Act 27</u>
Revenues			
Opening Balance	\$33.6	\$44.6	\$37.3
Recycling Surcharge	51.5	51.6	42.8
Interest and Other	<u>2.7</u>	<u>2.6</u>	<u>2.5</u>
Total Available	\$87.8	\$98.8	\$82.6
Expenditures	43.2	36.3	32.2
Reserves and Lapses	0.0	0.0	0.1
Transfer to General Fund	0.0	3.9	0.0
Expenditure of Prior Year			
Encumbrances	<u>0.0</u>	<u>21.3*</u>	<u>0.0</u>
Total Expenditures	\$43.2	\$61.5	\$32.3
Closing Balance	\$44.6	\$37.3	\$50.3

*Assumes \$21.3 million of \$22.3 million in encumbrances and continuing balances will be expended.

In its request, DOR indicates that the substantial balance expected in the recycling fund at the end of fiscal year 1998-99 would suggest that the surcharge rate be lowered. However, Act 27 includes a provision which directs the Department of Natural Resources (DNR) to submit a proposal to the Legislature that, if enacted, would carry out the intent of the Legislature that the state continue its practice of providing state financial assistance for local recycling program expenses, at least through the year 2004. (The Governor vetoed a September 1, 1998, due date and requested DNR to complete the proposal by January 1, 1999.) DOR notes that, if the surcharge rate is lowered, the recycling fund may lack sufficient revenue to fulfill this legislative intent. Consequently, DOR recommended that the current rate remain in effect for tax year 1998.

In addition to the state commitment to provide \$24 million in local recycling grants in the year 2000 (state fiscal year 1999-2000) and, potentially, beyond, base funding for recycling related administration and market development is \$8.2 million annually with 44.2 positions. Therefore, base funding levels for the 1999-2001 biennium will total approximately \$32.2 million annually as shown in the attachment. It is not known what funding (both appropriations and potential revenues) will be requested by DNR and other affected agencies, nor what will be recommended in the Governor's 1999-2001 budget. However, under current law, revenues are unlikely to be sufficient to fund all current recycling programs through the 1999-2001 biennium.

Since the surcharge is eliminated for tax years ending after April 1, 1999, most taxpayers will not be subject to the surcharge after tax year 1998. Because the 1998-99 year-end balance in the recycling fund is projected to be substantial, the Committee may wish to disapprove continuation of the current surcharge rate. For example, the Committee could request that DOR develop a proposal for a reduced surcharge rate that would leave a sufficient balance in the recycling fund in 1998-99 to fund the \$24 million in local recycling grants and \$8.2 million in base funding for recycling administrative and market development appropriations in fiscal year 1999-2000. If the temporary recycling surcharge was reduced by one-half to 2.75% for corporations and 0.2173% for sole proprietorships, partnerships and S corporations, the estimated 1998-99 year-end balance in the recycling fund would be \$31.5 million. This would be expected to provide sufficient funding (in conjunction with some investment and residual income in 1999-2000) to continue base funding levels for all recycling fund appropriations in 1999-2000.

ALTERNATIVES

1. Approve the Department's request to continue to apply the current temporary recycling surcharge rate (5.5% or 0.4345%) for tax years beginning on or after January 1, 1998.

2. Disapprove the Department's request to continue the current temporary recycling surcharge rate and, instead, request that the Department develop a proposal for a lower surcharge rate. Require the Department to present the proposal to the Committee by January 15, 1998.

Attachment

Prepared by: Ron Shanovich and Kendra Bonderud

MO# Alt 1

2 BURKE	(Y)	N	A
DECKER	(Y)	N	A
GEORGE	(Y)	N	A
JAUCH	(Y)	N	A
WINEKE	(Y)	N	A
SHIBILSKI	(Y)	N	A
COWLES	Y	(N)	A
PANZER	Y	(N)	A
GARD	Y	(N)	A
OURADA	Y	(N)	A
HARSDORF	Y	(N)	A
ALBERS	Y	(N)	A
PORTER	Y	(N)	A
KAUFERT	Y	(N)	A
LINTON	Y	N	(A)
COGGS	(Y)	N	A

AYE 7 NO 8 ABS 1

ATTACHMENT

APPROPRIATIONS FUNDED FROM THE SEGREGATED RECYCLING FUND

	1997-98	1998-99	Authorized
Administrative Appropriations	Appropriated	Appropriated	Positions
<i>Administration</i>			
505 (1)(qm) Recycling activities	\$121,000	\$121,000	2.5
<i>Agriculture, Trade and Consumer Protection</i>			
115 (1)(u) Recycling products regulation	203,600	204,300	2.2
<i>Commerce</i>			
143 (1)(st) Recycling market development board; operations	320,000	320,500	4.0
<i>Natural Resources</i>			
370 (1)(er) Park and forest recycling activities	70,000	70,300	
(2)(hq) Recycling--technical assistance & admin.	1,208,700	1,223,000	16.75*
(3)(mr) Recycling--enforcement and research	82,300	82,300	1.0
(6)(bt) Lake states wood utilization consortium	100,000	0	
(8)(iw) Statewide recycling administration	1,139,300	1,141,500	3.0
(9)(is) Statewide recycling administration	760,000	761,000	7.75
<i>Revenue</i>			
566 (1)(q) Recycling fees administration	309,000	309,000	2.5
<i>University of Wisconsin System</i>			
285 (1)(tb) Extension recycling education	300,800	300,800	4.0
(1)(tm) Solid waste research and experiments	<u>189,800</u>	<u>190,200</u>	<u>0.5</u>
Subtotal	\$4,810,600	\$4,730,000	44.2
Financial Assistance Appropriations			
<i>Commerce</i>			
143 (1)(tm) Recycling market development board; contracts and assistance**	\$2,500,000	\$2,500,000	
<i>Natural Resources</i>			
370 (6)(br) Waste reduction and recycling demonstration grants	1,000,000	1,000,000	
(6)(bq) Municipal and county recycling grants	24,000,000	24,000,000	
<i>Wisconsin Housing and Economic Development Authority</i>			
490 (5)(t) Transfer for brownfields remediation	<u>4,000,000</u>	<u>0</u>	
Subtotal	\$31,500,000	\$27,500,000	0.0
TOTAL SEG RECYCLING FUND APPROPRIATIONS	\$36,310,600	\$32,230,000	44.2

*Includes 1.0 project position

**Includes contracts with other state agencies for certain projects and staff.

REVENUE

Recycling Surcharge

Motion:

Move to disapprove the Department's request to continue the current temporary recycling surcharge rate and, instead, request that the Department develop a proposal for a surcharge rate that would be one-half of the current rate. Require the Department to submit the proposal to the Committee by January 15, 1998. Specify that upon submission of this proposal, the reduced recycling surcharge rate would be approved by the Committee.

Note:

Under this motion, the Committee would disapprove the current recycling surcharge rate and request DOR to submit a proposal for a surcharge rate equal to one-half of the current rate (2.75% for corporations and 0.2173% for sole proprietorships, partnerships and S corporations) to the Committee by January 15, 1998. The Committee approves that rate upon submission of the proposal. This motion would reduce recycling surcharge revenues by \$18.8 million in 1998-99.

[Fiscal Effect: -\$18,800,000 SEG-REV]

MO#

8503

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A



Legislative Fiscal Bureau

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December 18, 1997

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Revenue--Tax Amnesty Proposal--Agenda Item II

The Department of Revenue has submitted a proposal for a state tax amnesty program for review by the Joint Committee on Finance.

BACKGROUND

Under a provision in 1997 Wisconsin Act 27 (the 1997-99 biennial budget) the Department of Revenue (DOR) is required to develop a proposal for a tax amnesty program and submit the proposal to the Joint Committee on Finance. The tax amnesty program must be materially similar to the tax amnesty program conducted by the Department in 1985. The Committee may modify the Department's proposal to ensure that the program would be similar to the 1985 tax amnesty program.

DOR has developed a tax amnesty program action plan and submitted the plan to the Committee for review. The plan includes a summary of the proposed tax amnesty program, identifies differences between the proposed plan and the 1985 program and suggests a number of increased tax law enforcement measures that should be enacted after the amnesty program is completed.

ANALYSIS

As noted, Act 27 requires that the proposed tax amnesty program be materially similar to the 1985 tax amnesty program and Committee is authorized to modify the Department's request to ensure similarity.

1985 Tax Amnesty Program

The 1995 tax amnesty program was established by 1985 Wisconsin Act 29 (the 1985-87 biennial budget). The program was not included in the Governor's budget recommendations but was incorporated into the budget bill (1985 Assembly Bill 85) by the Joint Committee on Finance and modified by the Legislature.

Eligibility. The amnesty program applied to delinquent taxpayers (as specifically defined for the program); nonfilers who owed taxes, interest or penalties; taxpayers who filed late returns voluntarily or upon request; taxpayers who filed amended returns; taxpayers that were assessed or billed; and taxpayers with pending appeals before DOR's Appellate Bureau, the Wisconsin Tax Appeals Commission or a court that could withdraw the appeals. The program excluded certain taxpayers from eligibility for amnesty, such as accounts involving criminal investigations or criminal complaints.

Taxes. All state taxes that were administered by the Income, Sales, Inheritance and Excise Tax Division in DOR were included in the program. Specifically, the program applied to: the individual and corporate income and franchise taxes; sales and use taxes; withholding tax; inheritance and gift taxes; liquor, beer, wine, cigarette and tobacco taxes; motor fuel and special fuel taxes; and homestead and farmland tax credits.

Amnesty. Under the amnesty provisions, the Department of Revenue was authorized to: (a) waive civil and criminal penalties; (b) waive late filing fees; (c) reduce from 18% to 12% the rate of interest owed by nondelinquents; and (d) reduce tax liability by 20%, up to a maximum amount of \$5,000. The addition to tax penalty for civil fraud that was assessed prior to the date of applying for amnesty was not waived.

Enhanced Enforcement. In conjunction with the amnesty program, a number of compliance provisions were enacted and strengthened. Included among these enhanced enforcement provisions were the following:

- a. A levy law was established to allow for direct seizure of the assets of a delinquent taxpayer;
- b. The penalty for tax fraud was increased from 50% to 100% of the amount of the tax on the underpayment;
- c. Late filing fees under the individual and corporate income and franchise taxes were increased from \$10 to \$20 for returns filed more than 60 days late.

In addition, there were a number of enhanced compliance provisions that were included in Act 29 that were in the Governor's recommendations and, thus, not directly linked to the amnesty program but worked to increase the incentive for delinquent taxpayers to participate. For example, as submitted by the Governor, AB 85 contained provisions that authorized state

agencies to revoke or refuse to renew or issue occupational licenses for persons who owed delinquent state taxes.

Length of Program. The program ran from September 15, 1985, through November 22, 1985. Taxpayers could apply for amnesty only during this time period.

Miscellaneous Operational Provisions. The cut-off date after which taxpayers who became delinquent or failed to file were no longer eligible to apply for amnesty was May 15, 1985. Taxpayers were required to submit a written application in order to participate in the program. All amounts that were due had to be paid in full and all returns had to be filed, including returns for which an estimated assessment was issued. Payments were made in cash, money order, cashier's check or other guaranteed amounts and had to be paid within 90 days after receiving notification from the Department. All amounts paid under amnesty were final and conclusive. No refunds were allowed at a later date, regardless of other statutory changes.

Administration. The Department of Revenue was provided with \$445,500 GPR in 1985-86 to cover the costs of administering the amnesty program. Of this amount, \$299,400 GPR was placed in unallotted reserve and the Department was required to come before the Joint Committee on Finance to request its release when administrative costs could be accurately determined. In June, 1986, the Committee approved the release of the funds from unallotted reserve. DOR indicates that it had to internally reallocate resources and personnel to administer the program. As a result, the total cost of administering the tax amnesty program was \$959,700.

Revenue. In Act 29, the revenue generated by the amnesty program was placed in a separate segregated fund and used to cover the costs of operating and administering the elderly property tax deferral program. However, as part of a number of measures that were included in 1985 Wisconsin Act 120 (the 1986 Fiscal Management Bill) to address a projected \$340 million revenue shortfall in 1986-87, amnesty collections were transferred to the general fund. A total of 25,700 applications for amnesty were received by the Department. Slightly less than half of these applicants actually filed returns and made the necessary payments to receive amnesty. Originally, it was estimated that the amnesty program would generate \$10 million; actual collections were approximately \$26.8 million.

Proposed 1998-99 Tax Amnesty Program

Based on a review of the 1985 program, DOR has recommended that the following modifications be made to reflect the current situation and to address problems identified in the previous program.

1. Application Requirement. A non-refundable payment of the lesser of \$200 or the actual amount due would be required with an amnesty application. This is intended to reduce the number of taxpayers that would apply for amnesty simply to postpone collection actions by

the Department and would ensure that all amnesty applicants made some payment. In 1985, 1,753 of the total 25,700 applicants owed less than \$200.

2. Amnesty Period. The proposed amnesty period would be June 15, 1998, through August 14, 1998.

3. Bankruptcy Proceedings. Persons who had filed for relief under any chapter of the U.S. bankruptcy code would not be eligible to participate in the tax amnesty program. DOR indicates that these individuals would already be benefitting from some type of debt forgiveness.

4. Qualifying Date. The qualifying date for receiving the 20% reduction of delinquent liabilities would be October 1, 1997. Liabilities that became delinquent after that date would not be eligible for amnesty. This would prevent taxpayers from delaying payment of taxes until the amnesty period began.

5. Field Audits. Amounts owed as a result of income and sales tax field audits would not be eligible for amnesty. DOR indicates that a majority of these liabilities would be collected without an amnesty program. The affected taxpayers may appeal negligence penalties but usually pay the tax and interest owed. According to the Department, about 13% of field audit assessments end up being entered into the delinquent tax system. In addition, Act 27 provides DOR with 12 additional field auditors which are projected to generate an additional \$8.4 million in audit collections. If field audit assessments would be eligible for amnesty, the additional revenue that would be generated by the auditors outside of the amnesty program would be reduced from the amounts that are included in current general fund revenue estimates. However, it should be noted that, in 1985, the 50 largest accounts that received amnesty generated \$9.8 million and most of these accounts were amounts assessed through field audits.

6. Technical References. References to provisions in Chapter 71 of the statutes would need to be changed to reflect the revision of Chapter 71 which occurred in 1988.

7. Local Option Taxes. Local option taxes, such as county sales taxes or local exposition district taxes, that are collected by the Department would not be eligible for amnesty. The revenue from these taxes is distributed to local governments and not placed in the state's general fund. In addition, the Department indicates that, because these taxes are imposed by local governments, it is questionable whether the Legislature has authority to grant amnesty on a tax it does not impose.

8. Amnesty for Delinquent Accounts. In 1985, a taxpayer who had an existing delinquency as of May 15, 1985, could pay 80% of the balance due; the maximum amount that could be forgiven was \$5,000. Under the Department's proposed plan, the forgiveness of 20% of the delinquent balance would be computed beginning on the first day of the amnesty period and the maximum amount forgiven on delinquent accounts would be \$10,000. In 1985, there was not a specified date from which the 20% forgiveness was computed which caused some administrative problems. Increasing the maximum amount of forgiveness would reflect the

increase in size of delinquent accounts and provide a greater incentive for large delinquent accounts to take advantage of amnesty. The size of the average delinquent account has increased from about \$2,850 in 1985 to about \$7,950 in 1997.

9. Payment Due Date. Full payment of the amount due would be required within 45 days after the taxpayer has been notified by the Department of the taxpayer's responsibility and all returns have been filed. In 1985, this period was 90 days. This lengthened the time DOR needed to complete its work on the amnesty program and also acted as an incentive for some to use amnesty to delay payment of amounts due.

10. Delinquent Tax Collection Fee. The forgiveness of 20% of a taxpayer's delinquent balance would not apply to delinquent tax collection fees charged to delinquent accounts. Currently, the fee is the greater of \$35 or 6.5% of the delinquent balance due and is imposed on each new delinquent account each time it is entered into the delinquent tax system. Administration of the Department's delinquent tax collection program is funded by these fees and forgiveness or reduction of the fees through amnesty would provide the Department with less than sufficient funding to administer the delinquent tax collection program.

11. Use of Amnesty Revenue. Under DOR's plan, 5% of amnesty collections would be placed in a separate segregated fund that would be used to fund further development of an integrated tax system and for purchases of related computer hardware and software. The remaining 95% of amnesty revenue would be placed in the general fund. The Department indicates that this would provide an incentive for it to maximize collections under amnesty.

Revenues from the 1985 amnesty program were initially intended to be placed in a segregated fund for the property tax deferral program. However, in 1985 Wisconsin Act 120, the revenue was subsequently placed in the general fund to partially offset a shortfall in general fund tax revenues.

Act 27 provides \$1,257,100 GPR in 1997-98 and \$203,500 GPR in 1998-99 for DOR to contract with a private vendor to develop and implement an integrated tax processing system. The funding was placed in the Joint Committee on Finance's supplemental appropriation and DOR is required to submit a plan for development of an integrated tax system to the Committee for its approval before the funding can be released from the Committee's appropriation. The Department has not submitted a plan and requested release of the funds at this time. In addition, Act 27 provides \$716,700 GPR in 1997-98 and \$699,800 GPR in 1998-99 to fund information technology (IT) master leases and various projects. This funding also increases base level funding for IT expenditures in the next biennium.

It could be argued that DOR has been provided sufficient funding for improving its processing and IT systems during the 1997-99 biennium through Act 27. Since the Department has not submitted a plan for developing an integrated tax system, it is not clear how much additional funding will be necessary in the future. Consequently, the Committee may wish to delete the plan provision which would transfer revenues to a segregated fund and, instead, require

that all amnesty revenues be placed in the general fund. The Department could request additional funding for an integrated tax system in its 1999-2000 budget request.

Also, when the Legislature adopted the 1997-99 budget, it indicated that all of the proceeds from the amnesty program would be credited to the general fund. Act 27 assumes that the tax amnesty program will generate \$40 million for the general fund. If that number is correct, the Department's 5% administrative proposal would have the effect of making a \$2.0 million GPR appropriation to the Department. If the Legislature had wanted a portion of the collections of the program to be used for administrative purposes, it would have done so.

12. Administrative Funding. The plan also includes estimates of the administrative expenditures that would be required to develop and conduct the amnesty program. The Department indicates that it would create a separate amnesty unit. Funding would be required for LTE salaries and fringe benefits, permanent staff overtime costs, space rental, purchases of computer hardware and software, equipment, printing and postage, advertising and marketing. The Department estimates that total administrative expenditures would be \$819,900 in 1997-98 and \$1,138,400 in 1998-99. However, the request notes that these estimated costs are provided for information only and a formal request for funding will be developed through separate legislation. To clarify this position, the Committee may wish to specify that any general approval given to the plan does not indicate approval for a particular amount or level of administrative funding.

The 1985 tax amnesty program was established through nonstatutory provisions included in 1985 Wisconsin Act 29 (the 1985-87 biennial budget). The 1998 tax amnesty program plan submitted to the Committee is not in the form of specific legislation. As noted, DOR indicates that funding and legislative initiatives will be sought through separate legislation. The Committee may wish to specify that its approval of all or part of the plan would not preclude it from modifying specific provisions of legislation which established an amnesty program.

Proposed Enhanced Enforcement Provisions

In the information submitted with the tax amnesty plan, DOR also suggests that a number of legislative provisions designed to increase the Department's ability to enforce tax law should be enacted to take effect after the close of the amnesty period. The likelihood of stricter enforcement after the amnesty period could provide an additional incentive for taxpayers to participate. Most states which conduct amnesty programs follow the amnesty with such enforcement provisions. In 1985, Wisconsin enacted a number of enforcement provisions, including a levy law, following the amnesty program.

The provisions which DOR suggests should be adopted following the amnesty program include:

- a. Imposing an additional delinquent tax collection fee on delinquent accounts which qualify for but are not resolved under amnesty.
- b. Authorizing the Department to enter in agreements with state agencies to delay the issuance or renewal of licenses to delinquent taxpayers until the delinquency is resolved. Currently, DOR has such an arrangement with the Department of Regulation and Licensing.
- c. Allowing public employee trust fund benefits to be subject to execution, levy, garnishment or other attachment to satisfy state tax debts.
- d. Authorizing the Department to administratively write off, at its sole discretion, delinquent tax obligations following a determination that the debts are uncollectible. However, an administrative write-off would not relieve the debtor of legal obligation to pay the debt.
- e. Authorizing DOR to enter into a reciprocal tax refund offset agreement with the IRS, if the IRS receives authority to enter into such agreements.
- f. Authorizing DOR to set off contract payments for vendors with state contracts that owe delinquent taxes if the contract is at least \$500. Currently, the contract must be \$3,000.
- g. Authorizing DOR to require taxpayers to make installment agreement payments of delinquent taxes through electronic funds transfer.
- h. Increasing the sales tax late filing fee from \$10 to \$30 and imposing a late filing fee of \$30 on withholding tax deposits.
- i. Permitting DOR to have on-line access to files of the Departments of Transportation, Corrections and Workforce Development.

Each of these proposed enforcement enhancements would require changing current statutory provisions. However, the specific statutory language for each proposed item is not included in the information submitted to the Committee. Therefore, the Committee may wish to specify that approval of all or part of the tax amnesty program plan would not constitute approval of these proposed enhanced enforcement provisions. Once specific statutory language is developed, the Committee could review the items through the normal legislative process.

ALTERNATIVES

- 1. Approve the DOR plan for a state tax amnesty program.
- 2. Modify the DOR tax amnesty program plan as follows:

a. Delete provision which would establish a separate segregated fund for 5% of amnesty revenues to fund costs associated with an integrated tax system and, instead, require all amnesty revenue to be placed in the general fund.

b. Specify that approval of all or part of the plan does not constitute approval of a particular amount or level of funding for administration of the amnesty program.

c. Specify that approval of all or part of the plan does not preclude the Committee from modifying any future legislation which would be related to a state tax amnesty program.

d. Specify that approval of all or part of the plan does not indicate approval of specific enhanced tax enforcement provisions included in the information submitted to the Committee.

Prepared by: Ron Shanovich

MO# 2 a, b, c, d,

2 BURKE	(Y)	N	A
DECKER	(Y)	N	A
GEORGE	Y	(N)	A
JAUCH	Y	(N)	A
WINEKE	(Y)	N	A
SHIBILSKI	(Y)	N	A
COWLES	(Y)	N	A
PANZER	(Y)	N	A
1 GARD	(Y)	N	A
OURADA	(Y)	N	A
HARSDORF	(Y)	N	A
ALBERS	(Y)	N	A
PORTER	(Y)	N	A
KAUFERT	(Y)	N	A
LINTON	Y	N	A
COGGS	Y	(N)	A

AYE 12 NO 3 ABS 1

REVENUE

Tax Amnesty

Motion:

Direct the Department to include in its legislative proposal for tax amnesty a provision to place the first \$2 million in tax amnesty revenues over \$40 million in a separate segregated fund that would be used to fund further development of an integrated tax system and for purchases of related computer hardware and software.

Note:

Under a provision in 1997 Wisconsin Act 27 (the 1997-99 biennial budget), DOR is required to develop a proposal for a tax amnesty program and submit the proposal to the Joint Committee on Finance. Included in that proposal is a provision which would place 5% of tax amnesty collections in a separate segregated fund for further development of an integrated tax system. This motion would modify the plan to establish a segregated fund for the integrated tax system and place the first \$2 million in amnesty collections that exceed \$40 million in the fund. The first \$40 million in amnesty collections, and any revenues in excess of \$42 million would accrue to the general fund. Separate legislation would be required to fund and appropriate the funding.

MO# 8504

BURKE	(Y)	N	A
DECKER	(Y)	N	A
GEORGE	(Y)	(N)	A
JAUCH	(Y)	N	A
WINEKE	(Y)	N	A
SHIBILSKI	(Y)	N	A
COWLES	(Y)	N	A
PANZER	(Y)	N	A
GARD	(Y)	N	A
OURADA	(Y)	N	A
HARSDORF	(Y)	N	A
ALBERS	(Y)	N	A
PORTER	(Y)	N	A
KAUFERT	(Y)	N	A
LINTON	(Y)	N	A
COGGS	(Y)	N	A

Motion #8504

AYE 14 NO 1 ABS 1

REVENUE

Tax Amnesty

Motion:

Direct the Department to include in its legislative proposal for tax amnesty a provision to specify that a taxpayer who has applied for amnesty and paid the application fee but has a bankruptcy proceeding pending, could qualify for amnesty if the bankruptcy proceeding was subsequently dismissed.

MO# 8056

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 13 NO 2 ABS 1